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**Internet fraud, deceptive email targeted by Northwest law agencies**

The Securities Division of the Department of Financial Institutions has joined nine federal and state law enforcers in the U.S. and four agencies in Canada to crack down on deceptive spam and Internet fraud. The agencies have brought 63 actions against Web-based scams ranging from auction fraud to bogus cancer cure sites, and issued more than 500 letters warning people sending deceptive spam that it's illegal.

Securities Director Deborah Bortner says this sweep is a concerted effort to stamp out email and internet scams that take millions of dollars a year nationwide from thousands of consumers.

"The nearly universal accessibility and 'no-borders' nature of the Web creates an almost unlimited playing field for scam artists," Bortner says. "That's why law enforcement agencies at all levels must combine forces to make a dent in this mass marketing of false promises, bogus products, and junk investments.

"Unscrupulous promoters often use the Internet to peddle shaky investment opportunities," says Bortner. "They promise sky-high returns for unregistered securities sold through unregistered sales agents," she says, "and fail to provide required information such as what risks are involved and the percentage of previous investors who actually made as much as they claim."

In the division's most recent online stock fraud case, Synergy Alliance Group and Larry W. Tanner of Winter Park, Florida allegedly solicited investors on the Internet for investment funds in exchange for equity shares. Bortner says investors were told they could earn six times their original investment from loans made with investor funds to early-stage companies. The Securities Division has issued a Cease and Desist Order ([SDO-11-02](#)) charging Synergy Alliance and Tanner with violating the registration and anti-fraud provisions of the Securities Act and plans to impose a \$5,000 fine.

On January 24, 2002, the Division issued two related orders against firms engaged in the offer and sale of unregistered securities. Starcash, Inc., a Florida check cashing corporation, was ordered to cease fraudulently offering its unregistered securities using unregistered broker/dealers. Promises Consulting, a Nevada corporation owned and operated by Gerald Glasser of Marina Del Rey, California, was ordered to cease fraudulently offering the Starcash securities ([SDO-007-02](#))([SDO-006-02](#)). Both firms have been notified of the division's intent to impose substantial fines and order affirmative relief, including restitution

Late last year, the Securities Division issued a Cease and Desist Order against a Washington corporation, Pan American Global Group, Inc., of Bellevue. The company

represented on its website that it arranged for funding of business projects by linking businesses with venture capital firms, private investors, and investment banking firms.

One financing program the company offered was the Hampton Bond Program, which was represented as a "self-liquidating" corporate bond program that allowed companies to raise \$5 million to \$50 million. In addition to paying for the loan, the program was supposed to provide bonus income for four years. In fact, says Bortner, there is no such thing as a self-liquidating loan.

Buyers were required to pay up to \$100,000 or more in fees to Pan American Global Group. They were told that their loans would be funded if they provided additional information or documentation, but in reality no loans were funded. None of the corporations or individuals named in the order were registered to sell securities in Washington. See [SDO-104-01](#).

In late 2001, a cease and desist order was issued against ByteAudio.com, Inc., its President, Robert M. Fletcher, and two other officers, Frank M. Dolney and Fred C. Kriss, charging them with offering and selling unregistered securities in Washington via the Internet. The orders seek fines totaling \$50,000 in addition to imposing injunctive relief and ordering restitution. A default order has been entered against Fletcher ordering him to pay the \$50,000 fine and restitution to Washington investors. See orders [SDO-021-01](#) and [SDO-063-01](#).

In the case of Payday Today USA.com, Inc., the Division issued a final order against the firm and its president, David E. L'Hoir ([SDO-038-01](#)). The order charges Payday used spam -- unsolicited emails -- to offer and sell account receivable acquisition contracts. The respondents are jointly liable for a \$50,000 fine and were ordered to pay restitution to Washington investors. L'Hoir, who faces criminal charges for his involvement in the scheme, has been under house arrest in Florida. A default order was entered against L'Hoir ordering him to pay a \$50,000 fine plus restitution to all injured Washington investors. See summary order [SDO-037-01](#).

Other companies and individuals that have been issued orders in connection with using spam to solicit investors include a Florida firm, General Marketing Associates, Inc, its president, Alan Davis, and Steven Chausse, a salesperson. The firm and individuals were charged with alleged violations of the Securities Act ([SDO-044-01](#)). In this case, as in many others of its type, Bortner says an online response from a potential buyer is quickly followed by a telephone solicitation from the company.

The Securities Division issued three related cease and desist orders ([SDO-080-01](#); [SDO-082-01](#); [SDO-083-01](#)) against Florida telemarketing firms that had been preying on Washington investors. Republic Cash Advance was allegedly offering and selling two different types of unregistered securities -- membership units in limited liability companies offering check cashing services, and investment contracts in account receivables (the customer checks cashed at those check cashing stores).

In addition to operating its own boiler rooms, Republic hired at least two independent sales offices to market their securities. Salespeople from Corporate Asset Group were offering and selling the membership units, while Ould Investment Group offered the account receivable contracts. The sales pitch failed to mention that Republic and its president had been subject to cease and desist orders from other states, and that the check cashing industry faces significant

risks. The order against Republic seeks injunctive relief, restitution to injured investors, and a \$50,000 fine. The orders against Corporate Asset Group and Ould Investment Group seek injunctive relief and fines of \$10,000.

An undercover sting investigation by the Securities Division into Internet and phone fraud resulted in charges against Cashier, Inc., an Ontario, Canada check cashing firm. In a Cease and Desist Order ([SDO-091-01](#)) the Securities Division alleges that the company violated the Washington State Securities Act by offering unregistered securities. Cashier is alleged to have used a Florida telemarketing firm, Corporate Funding Group, Inc., to offer Cashier's unregistered securities to Washington citizens. The allegations include charges that neither the respondents nor their securities were registered as required; that the respondents acted as unregistered broker-dealers and salespersons; and that the respondents made material misrepresentations and omissions in the offer. The Cease and Desist Order seeks restitution for Washington investors, injunctive relief to prohibit future violations, and fines of \$5,000 against each respondent.

In November of 2001, the Division issued a Summary Order to Cease and Desist ([SDO-097-01](#)) against Noir-Cygnus Equities, Inc., Harold Woods, Jr., Lynden P. Bridges, and Richard C. Gravett, all of Colorado, for the alleged offer and sale of unregistered securities, violations of anti-fraud laws, and acting as unregistered broker-dealers and/or salespersons. The Colorado firm is a development-stage company that intends to invest in sub-prime automobile loan portfolios using investor money. The Order enjoins further offers and/or sales, seeks to impose a \$20,000 fine, and seeks restitution for all Washington investors.

Last year, the Securities Division entered a summary order to cease and desist against Mayer Etkin and Capital Solutions, Inc., a Seattle-based business incorporated in Nevada, for alleged violations of the Securities Act of Washington ([SDO-06-01](#)). The violations involved telephone solicitations made to citizens who responded to a spam email offering. Capital Solutions' Internet website offered financial solutions for private offshore wealth accumulation and asset security, inviting visitors to get more information by email. Capital Solutions also used Internet message boards to offer investors who posted a performance bond and bank guarantee delivery of a large quantity of gold over a fourteen-month period. The message also offered investors a joint venture with the Chinese government in a gold mining enterprise. That investment required a beginning investment of \$750,000.

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- Securities Division orders may be found on the Web at: <http://www.dfi.wa.gov/sd/orders-99.htm>.
  - [International Netforce Launches Law Enforcement Effort](#). - Read the FTC's news release. For more information about how consumers can reduce the amount of spam they receive, visit <http://www.ftc.gov/spam>.
  - The U.S. Department of Justice maintains a site on Internet Fraud at: <http://www.usdoj.gov/criminal/fraud/>.
  - The Securities and Exchange Commission also has valuable anti-fraud information at : <http://www.sec.gov/investor/pubs/cyberfraud.htm>